NINETEENTH REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS (1986-87)

(EIGHTH LOK SABHA)

HOTEL CORPORATION OF INDIA LTD.

(MINISTRY OF TRANSPORT, DEPARTMENT OF CIVIL AVIATION)

[Action Taken by Government on the recommendations contained in the 10th Report of the Committee on Public Undertakings (Eighth Lok Sabha)]

सत्यमेव जयते

Presented to Lok Sabha on 31 March, 1987

Laid in Rajya Sabha on 15 April, 1987

LOK SABHA SECRETARIAT

NEW DELHI

March, 1987/Chaitra, 1909 [Saka]

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COMMITTEE ON PUBLIC UNDERTAKINGS

(1986-87)

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2. Shri S. S. Chawla—*Chief Financial Committee Officer*
3. Shri G. S. Bhasin—*Senior Financial Committee Officer*

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*Elected w.e.f. 22-8-1986 in the vacancy caused by appointment of Miss Saroj Khaparde as Minister of State.

ACTION TAKEN SUB-COMMITTEE OF THE COMMITTEE ON PUBLIC UNDERTAKINGS

(1986-87)

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4. Shri Chiranji Lal Sharma
5. Prof. C. Lakshmanna
6. Shri Jagdambi Prasad Yadav

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Nineteenth Report on Action Taken by Government on the recommendations contained in the Tenth Report of the Committee on Public Undertakings (Eighth Lok Sabha) on Hotel Corporation of India Ltd.

2. The Tenth Report of the Committee on Public Undertakings (1985-86) was presented to Lok Sabha on 30 April, 1986. Replies of Government to all the recommendations contained in the Report were received by 5 March, 1987. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 13 March, 1987. The Committee also considered and adopted this Report at their sitting held on 13 March, 1987. Minutes of the sitting are given in Appendix I.

3. An analysis of the action taken by Government on the recommendations contained in the Tenth Report (1985-86) of the Committee is given in Appendix II.

NEW DELHI;
March 25, 1987
Chaitra 4, 1909 (*Saka*)

K. RAMAMURTHY,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by Government on the recommendations contained in the Tenth Report (Eighth Lok Sabha) of the Committee on Public Undertakings on Hotel Corporation of India Ltd. which was presented to Lok Sabha on 30 April, 1986.

2. Action Taken Notes have been received from Government in respect of all the 13 recommendations contained in the Report. These have been categorised as follows:—

(i) Recommendations/observations that have been accepted by Government.

Nos. 1, 3, 6, 7, 8, 9, 12 and 13.

(ii) Recommendation|observation which the Committee do not desire to pursue in view of Government's reply.

No. 10.

(iii) Recommendation|observation in respect of which reply of Government has not been accepted by the Committee

No. 4.

(iv) Recommendations|observations in respect of which final replies of Government are still awaited.

Nos. 2, 5 and 11.

3. The Committee regret to observe that the replies of the Government to the recommendations contained in the Tenth Report were not furnished within the stipulated period. The replies required to be furnished by 31 October, 1986 were received only by 31 December, 1986 after two reminders had been issued. Even then replies to 3 out of a total of 13 recommendations are only of interim nature. The Committee desire that the final replies in respect of recommendations for which only interim replies have been given by Government should be furnished to the Committee expeditiously. The Committee feel that six months' time allowed for submission of action taken notes is adequate and the Ministries|Undertakings should be in a position to furnish the action taken notes within this period. The Committee emphasise that efforts should be made by the Ministries/

Undertakings in future to furnish conclusive replies within time as otherwise the sanctity of the Committee's recommendations is lost.

4. The Committee will now deal with the action taken by Government on some of their recommendations.

A. *Role of Hotel Corporation of India*

Recommendation Nos. 1 & 3 (Paragraphs 5.1 and 5.3)

5. The Committee had observed that the Hotel Corporation of India set up in 1971 with the primary objective of assisting Air India in meeting its hotel accommodation needs, had deviated from its set path and had not fulfilled its primary objective. As a result Air India had to accommodate a majority of its passengers at Bombay in private hotels in 1983-84 and 1984-85. The Hotel Corporation of India had also put up hotels at the instance of or with the approval of the Ministry at places other than airports. The present view of the Ministry was that H.C.I. should complement and supplement I.T.D.C. in its efforts to promote international tourism to India. The Committee had expressed the view that H.C.I. should discharge its primary objective more effectively as the arbitrary modifications in its set role were not in the interest of its efficient functioning.

6. In their reply, Government have *inter-alia* stated that the objectives of setting up the hotels do not necessarily mean full occupation by Air India for the use of passengers, crew etc. as making such block allocations in all the hotels at a preferential rate of tariff to Air India will not be financially attractive. It has also been stated that from the construction of the first Centaur Hotel at Bombay Airport, the policy objectives of H.C.I. have been constantly under review and whenever the occasion demanded, appropriate decisions have been taken.

7. The Committee fail to appreciate why the Hotel Corporation of India, which was set up as a subsidiary of Air India with the primary objective of assisting Air India in meeting its hotel accommodation needs, cannot cater to the full requirements of Air India. The argument that making block allocations to Air India in all the hotels of the Corporation at a preferential rate of tariff will not be financially attractive should not be used to debar Air India from making exclusive use of a facility which has specifically been created for it. Any surplus capacity available with the Hotel Corporation of India after meeting the requirements of Air India could be diverted on commercial considerations but switch over from the set objec-

tives simply because the adherence to them was financially unattractive is not justifiable. If Air India pays higher tariff for accommodation in private hotels than what HCI earns by giving equal accommodation to other parties on commercial considerations, the loser is the public exchequer only and by any standards this cannot be considered to be a sound proposition. The Committee, therefore, desire that the Hotel Corporation of India should be geared to cater to the full requirements of Air India.

It is also a matter of concern to note that the micro objectives and obligations of the Company have not been spelt out so far. The Committee desire that the micro objectives of the Company be clearly defined in quantifiable terms for a meaningful evaluation of the performance of the Company and the micro objectives duly approved by the Ministry be laid on the table of the House within three months.

B. *Merger of HCI with ITDC*

Recommendation No. 4 (Paragraph 5.4)

8. Considering the overlapping roles of the Hotel Corporation of India and the India Tourism Development Corporation and with a view to avoid duplication of efforts and competition within the public sector, the Committee had recommended that the question of merger of HCI with the ITDC deserved serious consideration.

9. In their reply, Government have stated that on the basis of a further examination of the issue regarding merger, it is felt that there has been no change in the situation.

10. In view of the fact that the activities of the Hotel Corporation of India were no longer confined to the fulfilment of its primary objective of meeting the accommodation needs of Air India, it is desirable that its role be clearly defined in unambiguous terms. If it has to run its chain of hotels purely on commercial considerations, it will have to be decided whether it has to maintain a separate identity or it can be merged with the bigger organisation of ITDC. In this context the question of merger of the two organisations assumes importance and a decision in this matter should be taken without further loss of time. The Committee would like the matter to be re-examined and apprised of the decision within 3 months of the presentation of this Report.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Sl. No. 1 (Paragraph 5.1)

Hotel Corporation of India Ltd. was formed in 1971 as a subsidiary of Air India with the primary objective of assisting Air India in meeting its hotel accommodation needs for the crews, transit and other passengers. The Committee's examination has revealed that even 15 years after its establishment HCI has not fulfilled this primary objective. Air India had to accommodate about 54 per cent of its passengers at Bombay in private hotels in 1983-84 and 52 per cent in 1984-85. The Committee are surprised to learn from the Managing Director of HCI that because of preferential rate of tariff allowed to Air India, HCI is not interested in giving more than 125 out of 288 rooms available in Centaur Hotel Bombay Airport to Air India even though its requirement is of the order of 450 rooms. The Company's plea that HCI has to depend on business from outside to make the hotel commercially viable is hardly convincing and raises other issues. Two questions *viz*: (i) how the issue of viability was not taken into account initially and (ii) why the hotel was not designed to cater to different categories of Air India's passengers especially when the hotel was built to meet Air India's needs, remain unanswered. When HCI talks of commercial viability of the hotels run by it, it unwittingly tries to assume the role assigned to India Tourism Development Corporation which is contrary to the objectives for which HCI was created. The Committee are of the firm view that HCI should in future discharge its primary objective more effectively and there should be no deviations on commercial considerations.

Reply of the Government

Keeping in view, the evidence already presented before the Committee, by the Ministry, Air India and the Hotel Corporation of India, it may be seen that essentially there is no conflict between the functioning of the HCI and the ITDC.

All the Centaur Hotels are geared to meet the needs of Air India. The objectives of setting up the hotels do not necessarily mean full

occupation by Air India, for the use of passengers, crew etc. For example, even Centaur Hotel, Bombay, where the occupancy is of the order of 100 per cent only about half the rooms are allotted to Air India on block basis. Making such block allocation, in all the hotels at a preferential rate of tariff to Air India, will not be financially attractive.

The views of the Committee have been noted and efforts will be made by the Hotel Corporation of India, to give preference to Air India in the allotment of rooms at all the Centaur hotels, whenever Air India needs more room accommodation for their crew/passengers.

[Ministry of Civil Aviation O.M. No. H. 11013/3/86-AA dated 6th January, 1987]

Comments of the Committee

(Please see paragraph 7 of Chapter I of the Report).

Recommendation Sl. No. 3 (Paragraph 5.3)

The Committee cannot but deplore the way the Ministry of Transport (Department of Civil Aviation) has been altering the role of HCI without clear perspective. Although the Company was originally envisaged to play a complementary role to Air India by setting up hotels at airports to meet Air India's hotel accommodation needs, HCI has, of late, been putting up hotels at the instance of or with the approval of the Ministry at places other than airports. The glaring examples are the Centaur Lake View Hotel at Srinagar, the Hotel at Juhu Beach and the Buddhist Centres. The Civil Aviation Secretary was frank enough to admit that these hotels should not have been put up by HCI. The Ministry even went a step further in another instance in directing HCI to play an altogether different role *viz*: construction of a hotel on turn-key basis at Albiers in 1982 though the project failed to come through ultimately. The Ministry is presently stated to hold the view that the role of HCI should complement and supplement ITDC in its efforts to promote international tourism to India. The Committee feel that such variant and arbitrary modifications in the role to be played by the organisation which was set up for a specific purpose is not in the interest of its efficient functioning.

Reply of the Government

From the construction of the first Centaur Hotel at Bombay Airport, the policy objective of HCI have been constantly under review

and whenever the occasion demanded, appropriate decisions have been taken. In a industry like the Hotel Industry or a sector like the Civil Aviation Sector, it is difficult to freeze certain decisions at a static level, obtaining in any particular period. It is with this view that constant appraisal of the functions of HCI independently as well as in comparison to the functions of ITDC has been made periodically. Even though the hotels at Rajgir and Srinagar may not fit into the pattern of the other hotels operated by HCI, these decisions have been taken with proper deliberation. The hotel at Rajgir was meant to promote buddhist tourist traffic from Japan, which would also give a boost to Japanese traffic to India *via* Air India. The Hotel at Srinagar was also envisaged as a point of tourist interest which could boost tourist traffic of Air India.

Regarding the taking up of foreign consultancy projects and other issues decisions were taken when the demand for such consultancy projects existed.

However, it may be noted that at present HCI has not taken up any foreign project.

The views of the Committee, however, have been noted for future guidance.

[Ministry of Civil Aviation O.M. No. H. 11013/3/86-AA dated 6th January, 1987]

Comments of the Committee

(Please see paragraph 7 of Chapter I of the Report)

Recommendation Sl. No. 6 (Paragraph 5.6)

The Centaur Lake View Hotel project at Srinagar is another example of bad planning and poor management. There was a delay of nearly 3 years when the hotel was partially commissioned in December 1983 and it appears that the fully commissioning of the hotel has been delayed due to low room occupancy. The delay meant huge escalation of cost. It is therefore, no surprise that the cost of the project shot-up to Rs. 20.43 crores as against the original estimate of Rs. 10.99 crores. The delay of the project is partly attributed to delay in handing over the land earmarked for construction and delay in appointment of architects. Obviously, these factors are controllable with proper coordination and advance action. Another factor which led to the delay is inclement weather conditions during winter in Srinagar. The Committee wonder how this aspect was not taken

into account when the project schedule was originally planned. The Committee are not convinced with the reasons advanced and expected HCI to improve its project planning, formulation and implementation taking note of its past failures.

Reply of the Government

With regard to Centaur Lake View Hotel, Srinagar, it may be mentioned that hotel was expected to be completed by April 1981. This was based under the assumption that the preparation of detail drawings, invitations of tenders for Civil Works and award of contracts would be completed between the period October 1977 to March 1978 (Winter months). However, the Government's approval to the Project was conveyed, only in March 1979 (i.e. beginning of Summer months for Srinagar). It may be mentioned that inclement weather was considered during the planning stage and the appointments of Architects, detailed planning, invitations of quotations and award of contracts was to be done during the winter months (Oct. 1977 to Mar. 1978). However, this could not be done since the approval was given in March 1979 and therefore the summer of 1979 had to be used for detailed planning and since no work could be started in the winter of 1979, the Civil Work Contract was awarded and the work commenced only in May 1980.

Since the first working year was also lost, the project could accordingly have been completed in April 1983. As against this, the hotel was opened in December 1983 and additional rooms and facilities were added in May 1984. The delay due to handing over of the land earmarked for construction of the hotel which was occupied by J&K Govt. for storage of construction material was a major factor for delay in execution of work since this was beyond the control of the Corporation and all efforts were put to have the area vacated.

Escalation in the cost during the period of preparation of estimates and invitations to tenders accounted for 31 per cent of the increased cost, whereas the balance increase in the cost of project was due to the change in scope of work due to additional areas and facilities etc.

It may be mentioned that the Revised Cost Estimates have been approved by PIB as well as the various Financial Institutions.

[Ministry of Civil Aviation O.M. No. H. 11013/3/86-AA dated 6th January, 1987]

Recommendation Sl. No. 7 (Paragraph 5.7)

Besides, the two projects dealt with in the foregoing paragraphs, there were three other projects which were under execution by HCI during the last five years. These are Centaur Hotel Delhi Airport and New Flight Kitchens at Bombay and Delhi. While it is gratifying to note that the Centaur Hotel Delhi Airport project was completed at the time of ASIAD in 1982 without time and cost overrun, there was considerable delay and cost escalation in the two other projects *viz.* New Flight Kitchens at Bombay and Delhi.

Reply of the Government

With regard to Bombay Flight Kitchen, the Project Report submitted in Jan. 1978 envisaged completion of Project in May 1980 assuming the Government approval for the scheme by March 1978.

However, approval for the project was given in April 1980. Further, there was a delay in taking over the land from International Airports Authority of India and IAAI could hand over the land in October 1980. There was a further delay in obtaining permission from BMC with regard to approval of plans and BMC's clarification with regard to provisions of services like sewage etc. Thus the work of the project could commenced only in May '82 against the envisaged date of commencement of March/April 1978.

The increase in cost from Rs. 300.00 lakhs to Rs. 513.00 lakhs was on account of escalation between the date of submission of original cost estimates and the date of start of work as well as increase in cost of imported equipment duties and levies.

The revised Costs have been approved by the Special Finance Committee, by the Ministry of Transport, Department of Civil Aviation as well as the Financial Institutions who have given the Financial Assistance to the Corporation for the project.

With regard to Delhi Flight Kitchen, the Project Report for this Project was submitted in January 1978 envisaging the Govt. approval in March/April 1978 and completion of the project in May 1980. However, the approval of the Govt. was given only in April 1980.

Simultaneously, the Corporation had also submitted the proposal for construction of a hotel near Delhi Airport and accordingly it was decided to have a combined facility of the hotel and flight kitchen and as such, the planning of the flight kitchen was merged with that of the hotel and work for both hotel and flight kitchen could commence in Feb. 1981. The Flight kitchen was ready for Non-Aligned Meet in Feb. 1983.

The increase in cost from Rs. 250.00 lakhs to Rs. 413.00 lakhs was on account of escalation of cost of material from the time of submitting the proposal to the time of approval for the project, increase in scope of work, increase in cost of imported equipments, duties, levies etc.

[Ministry of Civil Aviation O.M. No. H. 11013/3/86-AA dated 6th January, 1987]

Recommendation Sl. No. 8 (Paragraph 5.8)

The Committee are disappointed to note that the performance of all the three projects commissioned by HCI during the last five years has been dismal. The Committee would like to be informed of the anticipations made in the Detailed Project Reports in each of the new units in regard to room occupancy (catering target in respect of flight kitchens) and profitability as compared to the actuals.

Reply of the Government

Centaur Hotel Delhi Airport

The Centaur Hotel Delhi Airport has been constructed at a cost of Rs. 20.25 crores and was partially commissioned with 150 rooms in November 1982. The remaining rooms except few suites were commissioned in March 1983. The hotel has been fully commissioned with all the rooms and suites effective November 1983.

The projected feasibility report submitted to Public Investment Board was prepared on the basis of the following main assumptions regarding anticipated average room occupany and projected tariff for rooms.

1 Date of commissioning Partial on 15th November 1982.
Fully commissioned : October 1983.

2 Average anticipated room occupancy and tariffs

Years	Projected Average Room Occupancy	Projected tariff —
1982-83 (April-March)	60%	SGL Rs. 400/- DBL Rs. 450/-
1983-84	65%	SGL Rs. 400/- DBL Rs. 450/-
1984-85	70%	SGL Rs. 440/- DBL Rs. 495/-
1985-86	75%	SGL Rs. 440/- DBL Rs. 495/-

BASIS: Anticipation made in the Steering Committee for ASIAN GAMES Report.

It may be pointed out that prior to the Asian Games 1982 (ASIAD), the Non-Alignment Meeting (NAM) and the Common Wealth Heads of Government Meeting (CHOGM) which all took place during 1982-83, there were approximately 1750 five Star/Deluxe Rooms available in Delhi. The boom in the construction of the Five Star Hotels in Delhi which stimulated by these 3 important events resulted in availability of approximately 4475 additional rooms (excluding 3 Delhi properties namely Park Hotel, Holiday INN & Meridian which will between them raise room availability by 900 to 1000 rooms). From the Industry statistics, at present there is an excess Hotel accommodation in relation to the available demand. The excess availability of Hotel accommodation alongwith the seasonability of expected arrival of both domestic and foreign tourists into Delhi has resulted in lower average room occupancy although the Centaur Hotel Delhi Airport was constructed mainly to cater to layover and transit passengers. In fact, till May 1986 *i.e.* upto commissioning the New International Airport it had no advantage over the hotels like Taj Palace, Maurya since it took more or less the same time from Palam Airport as the other hotels due to their geographical location. It was, therefore, not able to generate the higher average room occupancy both from transit and local passengers. The average room occupany achieved by the hotel during the period as compared to the anticipated room occupancy of the hotel is given below:

Years	Projected Average Room Occupancy %	Actual Average room Occupancy %
1982-83	60%	75·55% (On 150 saleable rooms)
1983-84	65%	46%
1984-85	70%	46%
1985-86	75%	54%

As a result of the excess hotel accommodation available in Delhi and with a view to improve the average room occupancy like other hotels in Delhi the Company had to offer various discounted tariff to the passengers in Delhi. As a result, the net room revenue per day was considerable less as compared to the projected

room tariffs assumed in the project feasibility report. We give below the projected room tariff rates and actuals:

Year	Projected Tariff per Room	Actuals Average Room Revenua per room
1982-83 . . .	SGL-Rs.400/— DBL-Rs.450/—	Rs. 385/—
1983-84 .	SGL-Rs.400 DBL-Rs.450/—	Rs.357/—
1984-85 . .	SGL-Rs.440/— DBL-Rs.495/—	Rs.358/—
1985-86 .	SGL-Rs.440/— DBL-Rs.495/—	Rs.364/—

In view of the above the actual performance of the hotel was below projected feasibility as shown below:

	Nov.82 Mar.83		1983-84		1984-85	1985-86	
	Projected	Actual	Projected	Actual	Projected	Actual	Actual Projected
Total revenue	287.15	597.01	325.55	710.99	347.08	764.03	416.20
Total Operating Expenditure	191.34	365.30	308.09	424·66	328.40	455.06	387.70
Cross Profit (Loss)	95.81	231.71	17.46	286.33	18.68	308.97	29.50
Interest	84.12	291.82	157.49	191.09	100.49	155.82	103.25
Depreciation	112.22	112.22	165.19	112.22	196.38	112.22	180.00
Net Profit/ (Loss)	(100.53)	(100.53)	(305 22)	(16.98)	(278.10)	(48.93)	(235.75)

This position has radically changed after the opening of the New International Terminal Complex at the Palam Airport as the hotel is close to the Airport. The hotel has now the positive locational advantage over the other hostels as far as the layover and stop-over passengers are concerned. The actual performance of the hotel for the first three months has shown encouraging results. The average room occupancy for the first quarter of the year 1986-87 is approv. 61 per cent as against the budget target of 60 per

cent and the Gross Operating Profit before Interest and Depreciation for the quarter (April-June 1986) is Rs. 19.16 lakhs as against the Budget target of Rs. 10.00 lakhs. The average room occupancy during July to September 1986 is 64 per cent as against the average room occupancy of 60 per cent in the previous year during the same period.

Centaur Lake View Hotel, Srinagar

Centaur Lake View Hotel, Srinagar was partially commissioned with 53 rooms effective 5-12-1983 and remaining rooms were commissioned during the years 1984-85 and 1985-86. The Hotel is now commissioned.

The estimated total project cost of Centaur Lake View Hotel, Srinagar was Rs. 20.43 crores and the feasibility report was submitted to Public Investment Board mainly on the basis of the following assumptions:

(1) Date of Commissioning . (1) October 1983 — 80 Rooms
(2) March 1984 — 98 Rooms
Full Commissioning May 1984

(2) *Average Room Occupancy and tariott* :

Year	Projected Average Room Occupancy in %	Projected Tariff
1983-84	60%	SGL Rs. 525 00 DBL Rs. 625.00
1984-85	65%	SGL Rs. 525.00 DBL Rs. 625·00
1985-86	65%	SGL Rs. 575·00 DBL Rs. 685·00
1986-87	70%	SGL Rs. 575.00 DBL Rs. 685.00

The Revenue performance of the hotel is directly linked to the tourist arrival from domestic destinations as well as foreign countries. The tourist traffic in the valley has consistantly shown a downward drain compared to the peak season in 1981 as shown below:—

Year	Tourists Arrived	Decline in No.	Decline in %
1981	6,42,300	——	——
1982	6,08,000	34,300	5.34%
1983	4,89,000	1,69,000	27.80%
1984	2,29,000	2,10,000	47.84%
1985	2,25,000		

(Source: Ministry of Tourism & Trade Affairs Govt. of J & K)

The decline in the tourist traffic is attributed mainly due to the following reasons:—

(1) Unsettled Political conditions in Jammu & Kashmir and other neighbouring states.

(2) Competing Tourist destinations outside India, and cheap group fares for tourists offered from India for Far-East destinations, Europe and U.S. etc., and benefits from Foreign Travel Schemes.

(3) Competition within India from well-established tourist and holding resorts like Jaipur, Udaipur, Kulu Manali, Goa etc.

(4) It may be observed that it is the combination of local problems and external constraints which have resulted in the decline in tourist arrivals in Kashmir with a consequent effect on the average room occupancy and the performance of Centaur Lake View Hotel, Srinagar.

The average Room Occupancy projected and actuals are given below:

Year	Projected Average Room Occupancy in %	Actuals Average Room Occupancy in %
1983-84	60%	4% (Winter Season)
1984-85	65%	20%
1985-86	65%	40%

In order to stimulate the quest occupancy at the Centaur Lake View Hotel, Srinagar the company had to offer substantial discounts on the tariffs as such the average revenue per room had declined substantially compared to the projected average room

revenue. The projected room tariff and the actual tariffs are given below:

Year	Tariffs considered in Project Reports	Actual Revenue per room per day
	Rs.	Rs.
1983-84	SGL 525 / DBL 625	..
1984-85	SGL 525 / DBL 625	328 average
1985-86	SGL 575 / DBL 685	315 average

In view of the above problems the unit has not been able to achieve the financial targets as projected in the report. The projected financial performance and the actuals for the last three years are given below:

(Rs. in lakhs)

Particulars	1983-84		1984-85		1985-86	
	Projected	Actual	Projected	Actual	Projected	Actual
Total Revenue	304·51	3·60	590·83	74·60	646·63	158·75
Total Expenditure	178·70	59·34	317·91	170·30	351·96	198·60
Gross Profit/(Loss)	(125·81)	(55·74)	(272·92)	(95·70)	(294·67)	(39·85)
Interest	131·89	14·98	169·62	58·65	145·13	80·00
Depreciation	120·97	37·21	120·97	112·20	120·97	145·00
Net Profit/(Loss)	(127·00)	(107·93)	(17·67)	(266·55)	(28·57)	(264·85)

Recently Government of India and Jammu & Kashmir Government have announced various proposals to boost tourist traffic in Jammu & Kashmir. With these efforts and special Marketing Campaign we expect the hotel to have better performance in future.

Chefair Flight Catering, Delhi

The New Flight Kitchen at Delhi was commissioned effective November 25, 1983 whereby the flight catering for Air India and other International Carriers was shifted to the new Flight Kitchen but the flight catering for Indian Airlines was shifted to the new premises only effective November 8, 1983.

The total project cost of the new flight catering at New Delhi was Rs. 4.13 crores and the feasibility report submitted to the Government and Standing Finance Committee was mainly after considering the annual growth rate of 10 per cent in food uplift ex-Delhi. The projections in regard to meal uplifts were as under:

Year	Meals per day	Meals per year
1983-84 (9 months)	3500	1277500
1984-85	4500	1642500
1985-86	4950	1806750
1986-87	5445	1987425

and thereafter with 10 per cent increase in meal uplift every year.

The other assumptions on major heads of expenses are as under:

(1) Cost of raw materials and other provisions	. 45% of the Food revenue
(2) Power, Fuel, Electricity and Water Charges	. 5% of the total revenue
(3) Staff Cost	5% increase every year with 15% increase every 4th year.

The projected feasibility report submitted to the Government and the Standing Committee was on the basis of various assumptions mentioned above, was as under:

(Rs. in lakhs)

	1983-84	1984-85	1985-86	1986-87
Total Revenue	251·81	394·00	473·87	570·46
Total Operating Exp.	222·13	321·69	365·55	420·04
Gross Operating Profit/(Loss) . . .	29·68	72·31	108·32	150·42
Depreciation	35·24	42·05	42·06	42·06
Interest	30·94	41·25	41·25	35·62
Net Profit/(Loss)	(36·50)	(10·99)	(25·01)	(72·74)

It appears that through an oversight, the revenue and expenditure mentioned for the financial year 1983-84 was in respect of

International flight catering and handling done from new Flight Kitchen premises. However, effective November, 1983, Flight catering for Indian Airlines was also shifted to the new Flight Kitchen premises as mentioned above. The revised financial statement was submitted to the Financial Institutions for the purpose of negotiations for loans. The actual performance of the unit for the period 1983-84 to 1985-86 are as under:

(A) *Major and Minor Meal Uplifts*

(Numbers in lakhs)

		Major	Minor
1983-84	International	4·78	3·33
	Domestic	8·36	3·99
		13·14	7·32
1984-85	International	4.25	3·45
	Domestic	3·43	2·94
		7.68	6.39
1985-86	International	3·41	2·66
	Domestic	2·77	5·64
		6.18	8.30

(B) *Financial Performance*

(Rs. in lakhs)

	1983-84	1984-85	1985-86	1986-87
Total Revenue	418·82	386·26	390·57	453·90
Total Operating Expenditure	454·07	428·93	483·78	449·65
Gross Operating Profit/(Loss)	(35·25)	(42·67)	(93·21)	4·25
Depreciation	37·23	33·54	20·18	31·20
Interest	13·91	4·29	23·85	38·00
Net Profit/(Loss)	(80·50)	(80·50)	(137·24)	(64·95)

The financial performance of the unit was below the target, mainly because of the following reasons:

(1) In the year 1983-84 the operations were made from the new Flight Kitchen premises as well as from the old Flight Kitchen premises near the Palam Airport for a period of 4½ months, which has resulted in duplication of services and higher overheads. There was also a reduction of business mainly from Indian Airlines and Royal Nepal Airlines.

(2) In the year 1984-85 also there was a substantial reduction of business from Indian Airlines, Royal Nepal Airlines, Iraqi Airways and to some extent from Air India. The reduction in business from Air India was mainly on account of cancellations of certain flights and reduction in meal uplifts. The reduction in business was also partly due to disturbed condition in November 1984 in Delhi and neighbouring areas. As regards Indian Airlines, the total business was divided into three caterers and the same trend has also continued in future.

The increase in expenditure is mainly on staff salaries due to increase in variable D.A. and wage revisions, provision for staff transportation etc.

The increase in rent is mainly on account of shifting of the Snack Bar counters to International Departure Lounge at higher rentals and provision of turnover tax levied by International Airport Authorities.

(3) In the year 1985-86 compared to the previous year i.e. 1984-85, the reduction in revenue is mainly on account of reduction in Indian Airlines business which is partly due to reduction in number of flights as well as reduction in the catering rates (14 per cent over the previous year).

The increase in expenditure is mainly on food cost, power and fuel, electricity charges. The electricity tariff at Delhi has increased almost by 100 per cent while the food cost has increased on account of normal increase in the raw material prices (without any increase in the catering rates from Air India and reduction in catering rate in respect of Indian Airlines).

The increase in staff cost is mainly on account of impact of wage revision, increase in overtime on account of re-scheduling of the flights and other staff welfare expenses. The Management is making every efforts to increase the revenue and control the various operational expenses.

[Ministry of Civil Aviation O.M. No. H. 11013/3/86-AA dated 6th January, 1987]

Recommendation Sl. No. 9 (Paragraph 5.9)

The Committee are disappointed to note that the Company which had been making profits during 1979—83 has gone into red since 1983-84. It incurred a heavy loss of Rs. 3.20 crores in 1983-84 and budgetted a loss of Rs. 3.90 crores in 1984-85. Although, it projected a profit of Rs. 1.87 crores in 1985-86, it was likely to end up with a loss of Rs. 1.25 crores during the first six months of the year. The Committee cannot but take a serious view of the deteriorating performance of the Company. There were heavy losses on all the three new projects viz. Centaur Hotel, Delhi (loss of Rs. 4.44 crores during 1982—84) Centaur Lake View Hotel, Srinagar (loss of Rs. 1.08 crores in 1983-84) and New Flight Kitchen, Delhi (loss of Rs. 0.35 crores during 1983-84). Regrettably, these projects budgetted only a loss in 1984-85 also. The poor performance of the new hotels is primarily on account of lower room occupancy and heavy burden of interest and depreciation. The Committee desire that suitable strategy should be evolved for vigorous marketing and stringent cost control in the various units of HCI to reverse the present adverse profile of the Company.

Reply of the Government

The position in respect of the above recommendation of the Committee is explained as follows:

Centaur Hotel Delhi Airport

Centaur Hotel Delhi Airport was commissioned with 200 rooms for the Asiad effective 15th November, 1982 as per our commitment made to the Government; another 148 rooms were added effective March 1, 1983 for catring to the requirements of crew for Non-Aligned Meeting flights. The hotel has registered progressive in-

crease in the revenue from its very inception as will be seen from the following comparative table:

Period	Room Revenue	F & B Revenue	Total Revenue	% increase
	(iRs. in lakhs)			
Nov. '82-March' 83	73·46	30·80	113·69	..
April '83-March' 84	214·94	94·02	325·55	..
April' 84-March' 85	226·14	101·69	347·08	6·61
April' 85-March' 86	262·19	125·46	409·75	18·06
April' 86-Oct,' 86	210·82	90·07	316·46	*34·79

*N.B.: April/Oct'86 has recorded an increase of 34.79% over the corresponding revenue in April/Oct.'85 as shown above.

It is significant to note that a programme of aggressive marketing has resulted in these progressive annual revenue increases at the hotel despite the property's locational disadvantage & a glut of hotel room in Delhi.

Centaur Lake View Hotel, Srinagar

The hotel at Srinagar is a part of Sher-i-Kashmir International Conference Centre (SKICC) which is owned by the Government of J. & K. The hotel itself is owned by HCI which shares with the SKICC authorities certain common areas for which expenses are also borne by the two authorities in accordance with the pre-agreed formula.

SKICC was planned by Government of J. & K. to promote International Conference, Centre etc. and tourists to the valley. SKICC and the hotel were formally inaugurated on 9th May, 1984, though the hotel itself had a soft opening some months earlier in December '83.

The poor occupancy ratios and revenue results which have been achieved at the hotel since its formal opening are a direct result

of the decline in tourist arrival, both domestic/international, as clearly shown in the table below:

year	No. of tourists to J. & K valley	Decline (%)
1981	6,42,300	..
1982	6,08,000	5·34
1983	4,39,000	27·80
1984	2,29,000	47·84

Source—Department of Tourism, Ministry of Tourism and Trade Affairs, Government of J & K.

The decline in tourist arrival into the valley has been a direct result of unsettled conditions in some parts of the country and in the valley itself. Furthermore, a very severe winter in 1985 and unseasonal rain which flooded Srinagar in March '86 further affected adversely tourist arrival in both these periods. HCI has pursued aggressive marketing policies ever since the opening of the hotel through the medium of low package rates promoted directly with producers of business, *e.g.* travel agents and tour operators and through the medium of advertising in travel related media like the inflight magazines of Air India and Indian Airlines and the time tables of both these airlines.

The result which have been achieved so far have not measured upto HCI's expectations. An upward trend in occupancy ratios and revenue results will depend on an improvement in local conditions. Kashmir has always been a prime Holiday destination within India and HCI is confident that it is only a matter of time before tourist arrival into the valley returns to their 1981 level.

Marketing of Centaur Hotels:

The marketing of Centaur Hotels revolves around five major institutionalised and inter-related approaches which are listed in sequential order of importance:

Firstly, establishing a closer identification with Air India which has a positive and well established image in the market so that necessary benefits can be achieved.

Secondly, through changes in room rates at CHDA/CLVH which were the largest loss leading spin off properties within Centaur Hotels. The market demand for hotel accommodation in India is

extremely price elastic so that changes in pricing can lead to more than proportionate changes in demand. In view of this new package rates for CLVH incorporating discounts on single and double occupancy were initiated with effect from July 1984 and are still in vogue. Substantial price reductions have also been introduced at CHDA with effect from October 1984 and with the improvement in occupancy were gradually reduced and finally withdrawn altogether with effect from October 1, 1986.

Thirdly, establishing proper library of brochures detailing salient features of Centaur properties since sales calls without brochures support will be meaningless. Four fold multicolour brochures were accordingly prepared for CLVH and CHDA with prices in Indian rupees for the domestic market and prices in US $ for distribution through Air India offices abroad.

Fourthly, the preparation of corporate/individual brochures for Centaur Hotel properties enabled a comprehensive sales drive to be initiated based on personal calls by our Sales Staff in India. An international market coverage was obtained with regard to Travel Agents, Commercial Houses, Airlines which constitute the major source of hotel bookings. The aggressive sales drive was launched to tap business from commercial houses and institutions for promoting conferences/seminars at CLVH.

In view of extremely good response for conferences and hotel bookings from Eastern and Southern India market, the company has opened sales/reservation/booking offices in Air India premises in Calcutta and Madras. With regard to tour operators/wholesalers from abroad HCI have taken all possible opportunities in hosting them at CHDA and CLVH in order to obtain maximum exposure for Centaur.

Fifthly, an attempt has been made to optimise the deployment of marketing budget in order to make it more cost effective and obtain maximum coverage. While doing away with *ad hoc* advertisement releases a very selective and segmented approach has been undertaken in our media planning involving the placement of our advertisement in publications closely connected with Air travel. The following publications were chosen for release of advertisements:

(i) Air India/Indian Airlines time table;

(ii) Swagat—Inflight magazine of Indian Airlines;

(iii) Namaskar—Inflight magazine of Air India.

Further Centaur Hotels have embarked upon a very ambitious programme of computerisation. Air India has already installed two computerised reservation terminals (CRT) at the Front Office/ Back Office of CHBA to provide instant access for Centaur Hotels with over 60 Air India computerised on line/off line stations in India and abroad.

Among other short term measures initiated to improve the occupancy of CHDA and CLVH are the tour packages with special emphasis for the honeymoon market. HCI have also established contact with selected large commercial houses for typing up with CLVH for their Holiday Home requirement based on a guaranteed minimum room requirements.

Special packages have also been floated to attract conferences. These packages are including all conference/facilities/excursions/ cultural programmes, etc. The Company also initiated a dialogue with ITDC in working out with them low priced packages which would include a visit to Vaishnodevi temples and sight-seeing tours of Kashmir. We have further offered selected reduction in our rates to large tour operators who are promoting group series to Kashmir.

Further in order to establish and strengthen the concept of Airport hotel a dialogue has been initiated with International Airport Authority of India for extending the cables of their close circuit network for their flight information to CHDA. This will greatly help in having a distinct advantage over other hotels.

Chefair Flight Kitchens:

With the commissioning of new flight kitchens at Bombay and Delhi, HCI has attained a certain amount of market preference. Aggressive sales calls have been done on Airlines and they are persuaded to see the falilities offered by our new flight kitchens. Efforts to follow up with two International carriers which are being or likely to be given traffic rights through Bombay viz. Turkish Airlines and Yugoslavian Airlines have been made.

A marketing strategy has been altered to develop a new package which would be based on catering by Chefair, hotel accommodation for crew by Centaur and ground service arrangements by Air India. This package will be offered to international carriers by Air India who have a very positive image in the market and have a distinct marketing advantage over others. This matter has

already been discussed with Ground Service Department of Air India who have confirmed their unconditional support to our marketing efforts. Indian Airlines are being requested to confirm more flights with chefair flight kitchens.

In order to strengthen back up services and to ensure proper feed back from the airlines, HCI has created the position of Customer Relations Officer in Chefair Bombay to fill the much needed information cell/data bank and pursue the marketing of flight catering services more aggressively.

[Ministry of Civil Aviation O.M. No. H. 11013/3/86-AA dated 6th January, 1987.]

Recommendation Sl. No. 12 (Paragraph 5.12)

Another matter arising out of the press report which distresses the Committee more is the staff turn-over in Centaur Hotel, Delhi which was approximately 20 per cent. The Committee observe that 164 employees resigned during the last three years and joined other hotels to improve their prospects having been trained at cost of the Centaur Hotel, Delhi. The Committee view this phenomenon with considerable concern and dismay. The Committee desire that effective steps should be taken by the management to contain the exodus of personnel within limits in future. All those joining as trainees should be required to sign a bond that they would serve for a reasonable period with the Company after receiving the training. Adequate compensation should be claimed from those who violate this condition. The Committee would like to be informed of the action taken in this regard.

Reply of the Government

The figures of percentage of staff turnover at Centaur Hotel Delhi Airport for the last four financial years have been as follows:

Year	Staff Turnover (%)
1983-84	18·60
1984-85	9·77
1985-86	8·10

At Centaur Hotel Bombay Airport the staff turnover has been of the order of 7.0 per cent and 5.5 per cent for the financial years 1984-85 and 1985-86 respectively.

It will be observed that staff turnover at Centaur Delhi was only marginally higher than at Centaur Hotel Bombay Airport for the year 1984-85 and 1985-86. Further, there is generally turnover of staff in the hotel industry both in private and the public sector hotels. So far as 1983-84 is concerned whereby turnover was 18.60 per cent this was the first full year of operation of the hotel and turnover was high on account of the following reasons:—

I. Since the hotel was located far away from the city with inadequate transport system, a number of employees left after joining service.

II. In the initial period when proper standards were being set for the hotel, a number of employees were asked to leave on account of their not having come up to the expectations of the Management.

It may kindly be noted that the Management has training schemes for the following categories, the duration of training programmes being as indicated:

Category	Training Period
Management Trainee (Elect. & Mech.)	1 year
Management Trainee (Civil)	1 year
Management Trainee (Personnel)	1 year
Management Trainee (Front Office & F&B)	2 years
Kitchen Trainee (Supervisory)	2 years
Trainee Assistant Housekeeper	2 years
Trainee Assistant F & B Controller	2 years

In all of the above cases, the trainees are required to sign bonds for periods varying between 2 years to 5 years for serving the Company after completion of their training and in case they violate the bond, they are required to reimburse the training costs and also pay damages varying between Rs. 500/- to Rs. 600/- per month.

Apart from the above training schemes, whenever employees in other categories are recruited before they are put on the actual

job, they are trained for short duration of 4—8 weeks, depending upon the categoy, but it is not recommended that such staff be also put under bond, because the training is of a short duration and mainly on-the-job training and similar practice is being followed in other hotels, where bonds are not entered into for short training periods.

[Ministry of Civil Aviation O.M. No. H. 11013/3/86-AA dated 6th January 1987]

Recommendation Sl. No. 13 (Paragraph 5.13)

Industrial relations climate in HCI, particularly in Centaur Hotel Delhi leaves much to be desired. The employees of Centaur Hotel Delhi were on strike for about two weeks during May-June 1984 and resorted to go slow tactics for another two weeks etc. in July-August resulting in a loss of approximately 7500 mandays. The causes of the strike are stated to be suspension of 3 office bearers of union for acts of indiscipline and delay in completion of the enquiry against these charge sheeted employees. The Committee understand that labour problem in the hotel is till continuing. The Committee support the company so far as enforcement of discripline is concerned but at the same time they would also urge that the management should maintain healthy industrial relations and sort out all problems through negotiations, redress grievances of the employees, if any and ensure full cooperation from them for smooth running of hotel.

Reply of the Government

1. The employees of Centaur Hotel at Delhi Airport were on strike from 19th May to 4th June, 1984 and the workers resorted to go slow tactics from 21st July 1984 to 3rd August, 1984. The mandays lost on account of strike were 7500 approx. As already mentioned in this regard, the employees of CHDA went on illegal lightening strike in view of the Management having suspended three of the office bearers of the union since they had resorted to acts of gross indiscipline.

The employees resorted to go slow tactics in July|August, 1984 since the Management had agreed that the enquiries against the 3 charge sheeted employees will be completed within a period of 30 days and the enquiries could not be completed within 30 days mainly since the employees defendants were not available for the enquiries as and when required and were adopting tactics to delay the enquiries. The employees wanted that as the enquiries had not been completed

within 30 days, the 3 employees should be taken back on duty and the enquiries declared null and void. The charge sheets and suspension orders were not withdrawn, the Management only having agreed to complete the enquiries within a time bound programme and allow the employees to defend their cases through outsiders. An amicable solution to the problems could have been found had the union office bearers sat across the table with the Management and discussed the issue rather than resort to illegal lightening strike. The strike was called off after the issues had been discussed with the union representatives across the table.

2. The circumstances leading to the labour unrest at Centaur Hotel, New Delhi with effect from 20-12-1985 due to the unreasonable and unlawful attitude of the employees' Union are as under:

(i) The Employees' Union prior to Diwali last year had put up a demand for payment of either minimum Bonus under the Payment of Bonus Act or Ex-gratia payment equivalent to minimum Bonus. In this connection, a number of meetings were held with the Employees' Union whereby it was explained to them that since separate Profit & Loss Account was being maintained for the Centaur Hotel, New Delhi right from the inception, and considering the fact that the hotel was making losses due to heavy interest charges and depreciation in particular, there was no allocable surplus, and accordingly no Bonus was payable under the provisions of the Bonus Act for the first five years unless there were profits. The Company has been following this procedure of maintaining separate Profit & Loss Accounts for its various Units, and Bonus is paid on the basis of the allocable surplus available for each Unit.

In regard to the Union's demand for payment of Ex-gratia equivalent to minimum Bonus, it was explained to them that under the present Government Policy such payment is not allowed.

Inspite of the Management's stand based on the provisions of the law and the Government Directives in this connection, the Employees' Union did not give up their unreasonable demand for payment of Bonus.

(ii) After the Diwali festival, on 19-12-1985, apart from reiterating their demand for payment of Bonus ex-gratia, the employees' Union put up another demand whereby

they demanded that 15 per cent of the service charges which were being retained by the Management towards breakages, pilferages, losses of crockery, cutlery, etc. be also distributed to them. It may be clarified here that the Management collects 10 per cent service charge on hotel bills whereby the 75 per cent is distributed to the employees as per the laid down Service Charge Scheme, 10 per cent is retained towards welfare of staff and 15 per cent towards breakages, pilferages, losses of crockery, cutlery etc. Accordingly it was informed to the Union that is so far as 15 per cent of the service charges were concerned, the same could not be distributed to the employees and were retainable by the Management in accordance with the Service Charge Scheme and the terms and conditions of their employment. In the same letter, the Employees' Union mentioned that if their demand was not settled within two weeks, they would resort to direct action.

(iii) Inspite of the Union having given two weeks' notice in their letter of 19-12-85, effective 20-12-1985, without any further Notice to the Management, the employees, at the instigation of the Union, started taking en-masse 2 hours break from 12.00 Noon to 2.00 PM on a daily basis as a result of which the services of the hotel were adversely affected. Though a number of requests were made to the Union Representatives not to resort to direct action but to pursue legal means, the advice of the Management was disregarded. Apart from observing common break from 12.00 Noon to 2.00 PM, the employees, at the instigation of the Union, further intensified their agitation by observing further breaks from 7.00 PM to 9.00 PM effective 23-12-1985 and 5.00 AM to 7.00 AM from 27-12-1985. From the same date i.e. 27-12-1985, the breaks were increased from 2 hours to 2½|3 hours.

(iv) In the meantime, since the agitation was being continued by the Union unlawfully, the Management took up the matter before the Deputy Labour Commissioner and Conciliation Officer, Labour Department, Delhi Administration, Delhi on 27-12-1985 when the Union Representatives were also called whereby the Deputy Labour Commissioner and Conciliation Officer declared that the action of the Union was illegal, and in the Record Note

of the conciliation meeting which was also signed by the Union Representatives, the Deputy Labour Commissioner and Conciliation Officer advised that the agitation be withdrawn by the Union immediately, and the Management at the same time should refrain from taking further disciplinary action against the employees, since on 26-12-1985 the Management had already suspended 10 employees and on 27-12-1985, 5 more employees for inciting the workers to take observe the breaks during major meal hours and indulging in other serious acts of misconduct. A further meeting was called by the Deputy Labour Commissioner and Conciliation Officer on 30-12-1985.

(v) Inspite of the Union Representatives having agreed to withdraw the agitation before the Deputy Labour Commissioner and Conciliation Officer on 27-12-1985, the agitation was not withdrawn but, if fact, intensified whereby there were more and more instances of serious acts of misconduct, and, in the meantime, the hotel guests started moving out of the hotel because of there being lack of service during the major meal hours. The Management, however, did not take further action to precipitate the matters as agreed at the meeting with the Deputy Labour Commissioner and Conciliation Officer.

(vi) In the further meeting held with the Deputy Labour Commissioner and Conciliation Officer on 30-12-1985, though the Union Representatives were advised that their demands for payment of Bonus and 15 per cent service charges were not tenable, they did not heed to the advice of the Deputy Labour Commissioner and Conciliation Officer, and accordingly the conciliation proceedings were closed with a failure report. The Labour Department, Delhi Administration, however, issued a letter to the President of the Employees' Union on 1-1-1986 informing that their action of observing en-masse common breaks during major meal hours, etc. etc. was illegal and amounted to an illegal strike.

(vii) Since the Union did not accept the advice of the Labour Department but kept on intensifying their agitation, the Management was left with no other alternative but to take further disciplinary action against the employees

indulging in such incidents. At the same time, the occupancy of the hotel fell drastically because of its inability to give proper service to its guests.

(viii) Since there was drastic fall in the occupancy of the hotel resulting in massive losses every day, and since the employees on probation were also particpating in the illegal breaks amounting to illegal strike, the Management was left with no other alternative but to terminate the services of the employees who were no probation effective 4-1-1986, the Management having the right to terminate the services of such employees in accordance with the terms and conditions of their employment.

(ix) Thereafter the workers, at the instigation of the Union, resorted to complete sit-down strike from 7.00 P.M. on 4-1-1986 whereby though the employees were coming into the hotel premises, they were not doing any work and were not present at their respective places of work which amounted to an illegal strike by the workers.

(x) The Union Representative, in the meantime, contacted the Ministry, and at the instance of the Ministry, a Committee of 3 Directors of the Board of Hotel Corporation of India Limited was formed to have a dialogue with the Workers' representatives and the Management to look into the possibility of an amicable solution to the problem. The 3 Directors met the Union representatives on 8-1-1986 and 9-1-1986, and after detailed deliberations, came to the conclusion that there was no justification in the Union's demands for payment of Bonus/Ex-gratia and a payment of 15 per cent of service charge collection. The Labour Department, Delhi Administration, in the meantime, referred both the disputes with regard to the payment of Bonus and payment of 15 per cent service charge collection for adjudication and matter is now subjudice.

The strike was called off by the Union effective 4-2-1986, the anion having agreed to wait for the decision of the Labour Court in regard to payment of the Bonus and 15 per cent service charge collected which in fact had been suggested by the Management right from the beginning. The Management's firm stand has now resulted in proper discipline in the hotel and cordial relations now exist between the employees and the management for the last one year approximately.

The total mandays lost during this second strike have been as follows :

Period	Mandays lost
20-12-85 – 30-12-85	4368
31-12-85 – 3-2-86	21,830
Total mandays lost	26,198 Say 26,200

[Ministry of Civil Aviation O.M. No. H. 11013/3/86-AA dated 6th January, 1987.]

CHAPTER III

RECOMMENDATION WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENTS REPLY

Recommendation Sl. No. 10 (Paragraph 5.10)

The Committee regret that the profit of Bombay Flight Kitchen-Chefair has been affected to the extent of Rs. 5 lakhs annually owing to Air India transferring part of its catering upliftment to private caterers viz. Taj from April 1981. Air India decided to uplift part of its caterings from the private agency following disruption of catering arrangements due to labour trouble in Chefair. The Committee feel that whatever be the reasons that led to giving part of catering to Taj. Air India should promote a unit of its subsidiary to the maximum extent possible without of course, sacrificing the quality and competitive rates.

Reply of the Government

Bombay is a base station from where most of the Air India flights originate for several destination. It is therefore a major catering uplift station. Earlier the entire catering was looked after by Chefair. It was only when they had a serious industrial problem that it was realised that the entire catering uplift would be disrupted if reliance is placed only one unit. It was also further realised that most of the catering units at Santa Cruz Airport had a common Union. To safeguard its position, therefore, the Corporation entered an alternate arrangement with Taj Flight Kitchen. Presently Chefair are functioning from the new site and has larger capacity and therefore, 60 per cent of the total business has been entrusted to them. Splitting of contract between Chefair and Taj has also helped to generate healthy competition with regard to price and quality. The matter is however constantly reviewed and decisions are based on the situation/circumstances prevailing at the relevant time.

[Ministry of Civil Aviation O.M. No. H. 11013/3/86-AA dated 6th January, 1987.]

CHAPTER IV

RECOMMENDATION IN RESPECT OF WHICH REPLY OF GOVERNMENT HAS NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation/Observation Sl. No. 4 (Paragraph 5.4)

The Committee feel that the question of merger of Hotel Corporation of India with the India Tourism Corporation Ltd. deserves serious consideration by Government considering the overlapping role of these two undertakings and with a view to avoid duplication of efforts and competition within the public sector. Further, this step is necessary to ensure optimum utilisation of scarce resources in the large interests of the Company. It may be recalled that the Committee on Public Undertakings (1981-82) in para 7 of Part-II of their 48th Report (Seventh Lok Sabha) had suggested that HCI should be merged with ITDC to avoid unnecessary competition within the public sector. Again in para 14 of their 59th Report (Seventh Lok Sabha), the Committee while reiterating their earlier recommendation for merger of HCI and ITDC had observed that the Secretary of the Ministry had assured the Committee that the matter would be gone into by the Study Group that had been constituted for this purpose. The Committee would like to be informed of the action taken in pursuance of the recommendations of the Study Group in the matter.

Reply of the Government

The evidence given by the Hotel Corporation of India and Air-India in this regard as well as the reply given by the Ministry of Tourism and Civil Aviation (Department of Tourism) *vide* their O.M. No. 1/11/82-PSU(T) dated 20th September, 1983 (copy enclosed) may kindly be seen. As can be seen from the reply given by the Department of Tourism, a Task Force was set up, which examined all the aspects and came to the conclusion that the India Tourism Development Corporation and the Hotel Corporation of India have different roles to play in their respective fields and that the *status quo* may be maintained and there is no need to merge these two Corporations. Even on further examination of the issues on the basis of the recommendations of the Committee mentioned above, it is felt that there has been no change in the situation.

[Ministry of Civil Aviation O.M. No. H. 11013/3/86-AA dated 6th January, 1987.]

Comments of the Committee

(Please *see* paragraph 10 of Chapter I of the Report)

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation/Observation Sl. No. 2 (Paragraph 5.2)

The Committee regret that the micro objectives and obligations of the Company have not been spelt out so far on the lines indicated by BPE in 1970. It was only in 1985 the Company attempted to formulate the micro objectives which have, however, neither been quantified nor clearly defined to enable a meaningful evaluation of the performance of the Company. The Committee trust that action will be taken by the Company at the earliest to spell out the objectives in conformity with the existing guidelines and have them approved by the Administrative Ministry.

Reply of the Government

The objectives and obligations of the Hotel Corporation of India which was incorporated in 1971, have already been mentioned in great detail in the Articles and Memorandum of Association of the Company. Based on the macro objectives contained therein, micro objectives are already under preparation and expeditious action will be taken by this Ministry to approve the micro objectives of the Company as early as possible. After approval of the micro objectives these will be submitted for the information of the Committee.

[Ministry of Civil Aviation O.M. No. H. 11013/3/86-AA dated 26th February, 1987.]

Recommendation Sl. No. 5 (Paragraph 5.5)

The Committee are distressed to note that there has been a phenomenal cost escalation of the order of 116 per cent and an abnormal delay of over 6 years in the completion of the Centaur Hotel, Juhu Beach project. The project which was originally scheduled for completion by March 1980 at an estimated cost of Rs. 12.82 crores is now expected to be partially commissioned in June, 1986 with the revised cost of Rs. 27.75 crores. The undue delay in implementation of the project was reportedly responsible for an escalation of cost to the tune of over Rs. 10 crores. The Committee are of the view that there was

no effective coordination at a fairly high level in Government to see that the project was completed on schedule. The Committee note in this connection that HCI could get final approval from the Bombay Municipal Corporation for the project only in June, 1982 after a long delay. The Company had to execute a supplementary agreement with the Civil Contractor in December, 1984 to settle the rates of contract. This process apparently took 18 months with corresponding delay in project execution. The Committee would await an explanation as to what were the lacunae in the original contract, who was responsible for these omissions and the reasons for long delay in settling the matter with the contractor. The Committee would also like to be informed as to the extent to which the cost escalation has altered the economic of the project.

Reply of the Government

Due to delay in obtaining the approval for the additional FSI, the contractor had pleaded his inability to procure the necessary finishing materials primarily due to the increase in the prices of building materials during this period. They had also slowed-down the tempo of construction on account of lack of adequate financial resources with them.

The contractor's claims for enhanced rates were not accepted by the Company on the basis of legal opinion to the fact that the claim for enhancement over the tendered rates was not tenable under the terms and conditions of the contract. Following this dispute, the contractor referred the matter to arbitration as per the terms of the agreement and also stopped futher work at site.

After a detailed examination of the number of legal and financial issues involved, the HCI Board of Directors decided to take a realistic and pragmatic view to avoid further cost escalation and delay in the completion of the project. Accordingly, it was decided to nominate a committee consisting of a Sr. Civil Engineer and Sr. Representative from Accounts Department from Air-India alongwith the representatives from HCI to study the claim made by the contractors and to submit a report so as to make a negotiated settlement. Under the instructions of the HCI Board, the negotiated settlement was finally reached with the contractor in December, 1984 on condition that the arbitration proceeding would be stopped by the contractors and that the contractor would start the work with a definite progress to be made so as to adhere to the commissioning of the hotel by June, 1986. It has to be noted that there was, therefore, no omission/lacunae in the original contract.

The Company would like to inform the committee that a detailed profitability projections of the Project based on the revised cost estimates of Rs. 27.75 crores have been worked out and the same have been submitted to the Ministry as well as to the PIB who have approved the same. The approval of the Government to the project has also been obtained. Similarly, the same was also submitted to the Financial Institutions while the applications for the financial assistance was made and they have also accepted the viability of the project on the revised cost of Rs. 27.75 crores.

A further evaluation of the financial viability of the project is in progress. The results of the study|evaluation will be furnished to the Committee, in due course.

[Ministry of Civil Aviation O.M. No. H. 11013/3/86-AA dated 6th January, 1987.]

Recommendation Sl. No. 11 (Paragraph 5.11)

There was a press report alleging financial bungling and misuse of materials at Centaur Hotel Delhi. The Committee have been informed that the matter was examined by the Management and a report submitted to the administrative Ministry. One of the allegations relate to billing of HCI for Light Diesel Oil in excess of the quantity actually supplied. The Committee note that there being *prima-facie* evidence of culpability of the operating staff, the matter has been referred to CBI for detailed investigation. The Committee would like to be informed of the outcome of CBI enquiry in the matter and action thereon.

Reply of the Government

As the Committee is aware, the matter related to billing of HCI for Light Diesel Oil in excess of the quantity actually supplied was referred to Air India Vigilance Department who have advised the latest position in this regard as follows:

> "We have now received a communication from the Superintendent of Police, CBI, Delhi, that the case is in the final stage of investigation."

[Ministry of Civil Aviation O.M. No. H. 11013/3/86-AA dated 6th January, 1987.]

NEW DELHI;
March 25, 1987
Chaitra 4, 1909 (*Saka*)

K. RAMAMURTHY,
Chairman,
Committee on Public Undertakings

APPENDIX I

Minutes of the 71st sitting of the Committee on Public Undertakings held on 13 March, 1987

The Committee sat from 10.30 hrs. to 11.00 hrs.

PRESENT

SHRI K. Ramamurthy—*Chairman*

MEMBERS

2. Chowdhry Akhtar Hasan
3. Shrimati Sheila Kaul
4. Shri Haroobhai Mehta
5. Shri Braja Mohan Mohanty
6. Shri Ram Bhagat Paswan
7. Shri Chiranji Lal Sharma
8. Shri Jagesh Desai
9. Shri Krishna Nand Joshi
10. Shri Santosh Kumar Sahu
11. Shri Jagdambi Prasad Yadav

SECRETARIAT

1. Shri N. N. Mehra—*Joint Secretary*
2. Shri S. S. Chawla—*Chief Financial Committee Officer*
3. Shri G. S. Bhasin—*Senior Financial Committee Officer*
4. Shri Rup Chand—*Senior Financial Committee Officer.*

OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

Shri D. N. Anand—Secretary, Audit Board.

2. The Committee first considered and adopted the following Action Taken Report, as approved by the Action Taken sub-Committee:—

** ** ** **

(iv) Action Taken by Government on the recommendations contained in 10th Report of CPU (1985-86) on Hotel Corporation of India Ltd.

** ** ** **

4. The Committee authorised the Chairman to finalise the draft Reports on the basis of factual verification by the Ministries & Undertakings concerned and Audit and present the same to Parliament.

The Committee then adjourned.

APPENDIX II

(*Vide* para 3 of Introduction.)

Analysis of action taken by Government on the recommendations contained in the 10th Report of the Committee on Public Undertakings (Eighth Lok Sabha)

I.	Total number of recommendations made	13
II.	Recommendations that have been accepted by the Government (*Vide* recommendations at Sl. Nos. 1,3,6,7,8,9,12 and 13)	8
	Percentage to total	61.6%
III.	Recommendation which the Committee do not desire to pursue in view of Government's replies (*Vide* recommendation at Sl. No. 10). . .	1
	Percentage to total	7·7%
IV.	Recommendation in respect of which replies of Government have not been accepted by the Committee (*Vide* recommendation at Sl. No. 4) .	1
	Percentage to total .	7·7%
V.	Recommendations in respect of which final replies of Government are still awaited (*Vide* recommendations at Sl. Nos. 2,5 and 11). . .	3
	Percentage to total . .	23·1%

C. P. U. No. 593

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